

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市场日报

- *Markets sentiment slightly recovered compared to last week. There were some short coverings on AT1, BCHINA 3.3/ICBCAS 3.2 up c0.25pt. While LGFV sector was still better selling no matter short or long tenor names. CMB Wing Lung Bank announced to call its T2 CIMWLB 3.75 11/22/27 on last Friday, the bond price rebounded to close to 100.*
- **Asian AT1s Part II – Picks on DM AT1s:** *Our picks in Aisa developed markets are DBSSP 3.3 PERP, UOBSP 3.875 PERP, and SHINFN 5.875 PERP. See below.*
- **FOSUNI:** *Fosun International sell 20% stakes of Zhaojin Mining for HKD4.4bn to Zijin Mining; Fosun Pharmaceutical terminated proposed SGD217.67mn acquisition of OncoCare stake. FOSUNIs up 0.25-1pt this morning.*

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❖ Trading desk comments 交易台市场观点

Last Friday, China IG sentiment notably recovered during the day following HSI's 5.6% rally, with IG benchmarks trading 15-20bps tighter. Financials firmed up a bit, but space was still affected by ongoing repricing of callable sub debts. China Big 5 bank AT1s were about 0.5pt higher. We continue to see better selling in HK-based AT1s, where BCHINA 5 '24 /CINDBK 4.625 '24 were traded heavier. The biggest story of the day was CIMWLB 3.75 '27 T2 as flows were one way selling from global and Chinese asset managers most of the day. As the bond is approaching the end of the call notice period. The call was finally announced close to day end and the bond rebounded to 100 from a low print of 98. Other T2s and AT1s largely stabilized from the selloff as retail demand and short covering emerged in bits and pieces. In AMCs, the belly of HRINTHs marked 1-3pts higher. Asian perps were still under better selling. SHINFN 5.875 'Perp was down 3.5pts to close at 92 level. FAEACO Perp retreated 4pts and close back to below 90 after jumping 6.5pts on Thursday. Among HK names, insurers ZHONAN '26/FWDGRP '24 were down 3-4pts dragged by the non-call of Heungkuk Life Insurance. TMTs opened on a weak note, but closed 3-13bps tighter on the back of the strong rebound in equities where HSTECH index soaring more than 7%. BABA/TENCNT 30-31s tightened 8-10bps. JD also tightened 12bps on RM demand and dealer's short covering. IG properties had a small relief rally, with LNGFORs bounced back 4-6pts to be marked at low-30s. CHJMAOs/VNKRLEs were also up 0.5-3pts, though CHJMAO 7.125 'Perp notably slumped 20pts in line with Perps segment. China HY space was slightly firmer after an eventful week. COGARDs were up 2-4.5pts across the curve. GRNLGRs were up 1-5.5pts. Industrial space was quiet, with FOSUNIs slightly up 0.5-1pt. Macau gaming names outperformed as the benchmarks MGMCHIs/STCITYs/WYNNMACs were all traded up 4-5.5pts. Ex-China HY relatively stable with limited flows. In India HYs, VEDLNs were

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pushed another 1-2.5pts lower after the conglomerate announced that it was discontinuing rating engagement with Moody's on 3rd November. VEDLN 23s stabilized at high-80s. Indonesia HYs were mostly quiet with some small buying in ADROIJ.

In the LGFV/SOE Perp spaces, market was really weak with attention diverted to Heungkuk's decision not to call its Perps. Flows were 95% selling from all sorts of institutions as the only tiny bit of buying came from retail and low-ball short covering. LGFVs showed bids over the place and closed 0.5-0.75pt lower, with several more eye-catching names got hit at low prints. Nowadays we have the highest quality names (ie., names with onshore lines like HKIQCL/ZHAPIE/ZHANLO 25s) traded at low-90 or ~7%, while long end/weaker quality ones at low-to-mid-80s, and exotic names at 70s or liquidity bids around 40/50. SOE Perps were also marked down by 0.75-1.75pts on the day, and we saw some selling interests of 2-3yr to call SOEs from some AMs/PBs. Whilst we did see a bit of short covering in the PM session, the overall tone remained extremely weak at least in offshore. We reckon that the market will continue to be more keen on highest-quality notes to sit through the rates cycle.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
COGARD 8 01/27/24	28.4	14.1	CHJMAO 7 1/8 PERP	82.5	-19.7
SANLTD 4 3/8 06/18/30	82.1	6.7	FUTLAN 6.15 04/15/23	49.1	-8.3
LNGFOR 3.85 01/13/32	29.5	5.9	HZMGSG 3.4 01/24/25	95.7	-4.0
MPEL 5 3/8 12/04/29	64.5	5.5	FAEACO 7 3/8 PERP	88.3	-3.8
MPEL 5 3/4 07/21/28	66.2	5.5	ZHONAN 3 1/2 03/08/26	72.9	-3.7

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets rebounded on last Friday, the S&P (+1.36%), Dow (+1.26%) and Nasdaq (+1.28%) bounced but were overall down in last week. Oct U.S. NFP was +261k and higher than the markets expectation of +205k. Oct U.S. unemployment rate increased to 3.7% from previous month's 3.5% and was higher than the expectation of 3.6%. Long term U.S. treasury yields up while short term yields down slightly on last Friday, the 2/5/10/30 yields reached 4.66%/4.33%/4.17%/4.27%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Asian AT1s Part II – Picks on DM AT1s

- Further to [Asian AT1s part I – Our picks on Chinese G-SIBs AT1s](#) on 12 Oct'22, we turned our focus to AT1s in developed markets (DM) in Asia, i.e. Hong Kong, Singapore, South Korea, and Australia. Our picks in this space are **DBSSP 3.3 PERP**, **UOBSP 3.875 PERP**, and **SHINFN 5.875 PERP** in view of their more balanced risk and return profile, as well as shorter tenor. These AT1s also offer quite competitive yield pick-up (418-1255bps) over their senior bonds recently.
- We note the non-call of Heungkuk Life Insurance and the guidance of Australian Prudential Regulation Authority (APRA) on "uneconomic calls" on capital instruments. That said, we still believe that Asian AT1s, especially those issued by major banks in DMs and Chinese G-SIBs, offer more predictable return, partly because of these banks' comfortable capital adequacy levels. We are more selective in our picks after the recent sharp price movements.
- DBS, UOB and Shinhan Bank are systemic importance banks in their home countries. These three banks' NPL ratios consistently lower than their home peers in each of the year since 2017. Their CET1 ratios are

14.2%, 13.1% and 14.3% respectively at Jun'22, compared with the minimum CET1 ratio requirements (including capital conservation buffer) of 9% in Singapore and 7% in South Korea. DBS, UOB and Shinhan Bank have demonstrated their ability to maintain capital adequacy, even at the trough of last economic cycle around 2008. We view that the chance they become non-viable is remote over the medium term.

Table 1: Snapshot of our picks

	DBSSP	3.3	UOBSP	3.875	SHINFN	5.875
AT1 rating		Baa1		Baa1		Baa3
Year to call		2.3		1.0		0.8
YTC (%)		9.3		9.4		18.1
Price		87.3		95.6		91.6

Source: Bloomberg

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➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 35 credit bonds issued last Friday with an amount of RMB27bn. As for Month-to-date, 233 credit bonds were issued with a total amount of RMB238bn raised, representing a 19.4% yoy decrease
- **[CHIOLI]** China Overseas Land acquired four land parcels for RMB7.59bn in October
- **[EVERRE]** China Evergrande expects to record loss of approximately USD770mn in respect of undeveloped Yuen Long residential land project sold by receivers
- **[FOSUNI]** Fosun Pharmaceutical terminated proposed SGD217.67mn acquisition of OncoCare stake; Zijin Mining unit signed agreement to buy 20% of Zhaojin Mining from Fosun International unit for HKD4.4bn
- **[LNGFOR]** S&P downgraded Longfor's issue rating to BBB- from BBB and placed negative outlook; Longfor and its controlling shareholder has repurchased USD29mn senior notes accumulatively since 31 Oct
- **[MOLAND]** Modern Land further extended the longstop date of scheme and RSA to 11 Nov. The dates has been extended several times and the latest postpone is 3 weeks extension to 4 Nov

- **[SMCGL]** SMC Global Power accepted USD123.9mn valid tender offers for its proposed original up to USD400mn tender offer
- **[TPHL]** Fitch withdrawn Times China's CC ratings as company chosen to stop participating in the rating process
- **[VEDLN]** Vedanta continues loan talks with Indian banks for delayed bond tender, seeks up-to USD500mn by end-Dec

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